

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CEA-02 CIAE-00 COME-00

EB-11 FRB-02 INR-10 IO-15 NEA-10 NSAE-00 RSC-01

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TO SECSTATE WASHDC 784

INFO AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS UNN

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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C O N F I D E N T I A L OECD PARIS 26149

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: MEETING OF GENERAL WORKING GROUP OF OECD OIL COMMITTEE  
(GWG), OCTOBER 3, 1973

REF: USOECD 26148

1. SUMMARY: MEMBERS OF GWG EXCHANGED PRELIMINARY VIEWS  
ON IMPLICATIONS OF INCREASING OIL PRICES. UK AND NETHERLANDS  
DELS SUGGESTED THAT OIL COMPANIES SHOULD USE HIGH-LEVEL GROUP  
OF OECD OIL COMMITTEE (HLG) AS FORUM FOR INFORMING OECD MEMBER  
GVERNMENTS OF PROGRESS INRENEGOTIATION OF TEHERAN AGREEMENT.  
END SUMMARY.

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2. AT SUGGESTION OF CHAIRMAN, GWG LIMITED DISCUSSION OF PAPERS HE HAD SUBMITTED TO QUESTION OF FUTURE OIL PRICES AND THEIR IMPACT ON SUPPLY AND DEMAND, LEAVING ASIDE PAPER ON COOPERATION ON OIL QUESTIONS AMONG OECD MEMBERS. BOTH PAPERS WILL BE SUBMITTED TO HLG ALONG WITH SECRETARIAT REPORT OF GWG DISCUSSION OF PRICES.

3. AMONG POINTS WHICH ATTRACTED MOST INTEREST WAS QUESTION OF POSSIBLE LIMITS ON INCREASE IN OIL PRICES. IT WAS AGREED THAT A KEY FACTOR WOULD BE COST OF LONG-TERM ALTERNATIVES TO CONVENTIONAL OIL, PARTICULARLY TAR SANDS, OIL SHALE AND OIL FROM COAL. FRENCH AND GERMAN DELS STRESSED NEED TO ESTABLISH RELIABLE ESTIMATES FOR COSTS OF PRODUCING OIL FROM THESE ALTERNATIVE SOURCES AS ESSENTIAL AID TO POLICY-MAKING.

4. EC COMMISSION DEL (BRODEL) STATED THAT EXTENT OECD COUNTRIES CAN STABILIZE THEIR OWN ECONOMIES AND REDUCE RATE OF INFLATION, THERE WOULD BE LESS INCENTIVE FOR OIL PRODUCERS TO KEEP OIL IN GROUND AS APPRECIATING ASSET. BRONDEL ALSO STRESSED IMPORTANCE OF REACHING AGREEMENT ON OECD-WIDE OIL SHARING ARRANGEMENT, WHICH WOULD REDUCE CONSUMER CONCERNS ABOUT OIL AVAILABILITY AND THEREFORE REDUCE INCENTIVE FOR OVERLY COMPETITIVE BIDDING.

5. IT WAS CLEAR TO MEMBERS OF WP THAT CALCULATIONS IN PAPER ON OIL PRICES, WHICH HAD BEEN DRAFTED IN JULY, HAVE BEEN OVERTAKEN BY RECENT EVENTS, ESPECIALLY FORTHCOMING NEGOTIATIONS BETWEEN OIL COMPANIES AND OPEC GOVERNMENTS ON REVISION OF TEHERAN AGREEMENT. IN THIS CONNECTION, UK AND NETHERLANDS DELS SUGGESTED THAT IT WOULD BE USEFUL FOR OIL COMPANIES TO KEEP CONSUMER GOVERNMENTS INFORMED ON COURSE OF NEGOTIATIONS THROUGH HLG, PREFERABLY BY DIRECT BRIEFINGS, AND TO OBTAIN GOVERNMENT REACTIONS TO IMPORTANT NEW PROPOSALS.

6. WITH RESPECT TO AGENDA ITEMS ON (1) STUDY ON TRANSPORTATION OF ENERGY AND (2) ACTION PROPOSALS ARISING FROM STUDY ON AIR POLLUTION FROM FUEL COMBUSTION IN STATIONARY SOURCES, GWG GENERALLY ENDORSES CONCLUSIONS REACHED EARLIER IN WEEK BY GENERAL WORKING PARTY OF ENERGY COMMITTEE. THESE CONCLUSIONS REPORTED REFTEL.

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